

**NORTHWEST KANSAS
TECHNICAL COLLEGE**

Goodland, Kansas

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
June 30, 2018**

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

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NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

AREA BOARD OF CONTROL

Officers

Dan Wasson	Chairman
Bruce Buck	Vice-Chairman to January 2018
Paul Bruggeman	Vice-Chairman January to June 30, 2018
Paul Bruggeman	Secretary to January 2018
Brad Bucl	Secretary January 2018 to June 30, 2018
Frank Otter	Treasurer
Richard "Dick" Short	Assistant Treasurer

Committee Chairmen

Brad Bucl	Buildings & Grounds to January 2018
Eric Erven	Buildings & Grounds Jan. 2018 to June 30, 2018
Mark Hanson	Curriculum
Giovani Cassi	Faculty
Billi Beckman	Public Relations
Randy Balluch	Student Welfare

AREA ADVISORY BOARD

Randy Balluch	Jessica House
Billi Beckman	Kris Lemman
Paul Bruggeman	Jim Myers
Bruce Buck	Frank Otter
Brad Bucl	Dan Patterson
Giovani Cassi	Richard "Dick" Short
Thad DeWeese	Christine Smith
Myra Douthit	Jared Sowers
Eric Erven	Shea Stewart
Anita Gabel	Alan Suter
Mark Hanson	Linda Vap
Gennifer House	Dan Wasson

PRESIDENT

Ben Schears	President
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INDEPENDENT AUDITOR'S REPORT

Area Board of Control
Northwest Kansas Technical College
Goodland, Kansas

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and component unit of Northwest Kansas Technical College, Goodland, Kansas as of and for the year ended June 30, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statements in accordance accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective net position of the business activities of Northwest Kansas Technical College, Goodland, Kansas, as of June 30, 2018 and the respective changes in net assets and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the requires supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the net position of the business activities, major funds and aggregate remaining information of the College (basic financial statement) as a whole. The supplementary information which includes the combining schedule of major funds for net position, schedule of revenues, expenses and changes in net position and cash flows for the year ended June 30, 2018 (as listed in the table of contents) are presented for analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Kansas Technical College's internal control over financial reporting and compliance.



Agler & Gaeddert Chartered
Ottawa, Kansas
December 11, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

NORTHWEST KANSAS TECHNICAL COLLEGE

Management's Discussion and Analysis (MD&A)

June 30, 2018

INTRODUCTION

Our discussion and analysis of Northwest Kansas Technical College (College) financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2018. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001. This financial statement format (implemented in the fiscal year ended June 30, 2004) focuses on the College as a whole.

The financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus on the Statement of Net Assets is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross costs and the net costs of College activities, which are supported substantially by state aid, state and federal grants, student tuition and fees and auxiliary enterprises revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$12,988,041 at June 30, 2018. This was an increase of \$171,088 or 1% over the prior year. This increase was primarily due to college efforts to increase enrollment and stabilize expenditures.
- ❑ Overall revenues were \$8,414,646 which exceeded expenses of \$8,251,866 by \$171,088.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the College. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first three statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the College operations in more detail. The fund financial statements are presented as required supplemental information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of supplementary information that further explains and supports the financial statements.

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2018

Government-Wide Statements

The government-wide statements report information about the College as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the College's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the College's net assets and how they have changed. Net assets, the difference between the assets and liabilities, are one way to measure the College's financial health or position.

- ❑ Over time, increases or decreases in the College's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the College, one needs to consider additional non-financial factors such as changes in enrollment, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the College include all activities. The College's basic services are included here, such as regular education, food service, housing, maintenance, and general administration. Tuition, state aid and federal and state grants finance most of these activities.

Fund Financial Statements

- ❑ The fund financial statements provide more detailed information about the College's most significant funds -- not the College as a whole. Funds are accounting devices that the College uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law. The Area Board of Control establishes other funds to control and manage money for particular purposes or to show that the College is meeting legal responsibilities for using certain revenues.

Net Position - The College's combined net assets were \$12,988,041 at June 30, 2018. This schedule is prepared from the College's Statement of Net Position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. See below:

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2018

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Table 1 - Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ASSETS			
CURRENT ASSETS			
Cash and demand deposits	\$ 3,111,493	\$ 3,340,857	\$ 2,295,745
Time deposits	4,730,641	4,772,482	4,447,041
Cash in agency funds	8,513	14,228	1,998
Cash & cash equivalents	<u>7,850,647</u>	<u>8,127,567</u>	<u>6,744,784</u>
Accounts receivable, net	925,512	489,879	424,146
Accounts receivable, other	33,158	19,755	56,839
Inventories	<u>279,600</u>	<u>275,206</u>	<u>230,487</u>
Total other current assets	<u>1,238,270</u>	<u>784,840</u>	<u>711,472</u>
Total current assets	<u>9,088,917</u>	<u>8,912,407</u>	<u>7,456,256</u>
NONCURRENT ASSETS			
Construction in progress	0	132,277	67,685
Capital assets, net	<u>7,888,752</u>	<u>6,815,767</u>	<u>6,771,331</u>
Total noncurrent assests	<u>7,888,752</u>	<u>6,948,044</u>	<u>6,839,016</u>
Total assets	<u>\$ 16,977,669</u>	<u>\$ 15,860,451</u>	<u>\$ 14,295,272</u>
LIABILITIES			
CURRENT LIABILITIES			
Deposits	\$ 0	\$ 26,400	\$ 29,790
Accounts payable and accrued liabilities	115,252	75,004	68,978
Due to agencies	13,115	14,328	1,998
Due to club accounts	22,851	17,311	11,558
KBOR Infrastructure Loan	0	192,965	12,283
Note Payable	171,150	1,781,555	141,074
Insurance proceeds payable	1,610,968	0	0
Deferred revenue	<u>90,762</u>	<u>36,699</u>	<u>38,797</u>
Total current liabilities	<u>2,024,098</u>	<u>2,144,262</u>	<u>304,478</u>
LONG-TERM LIABILITIES			
Note Payable	<u>1,965,530</u>	<u>899,237</u>	<u>945,052</u>
Total long term liabilities	<u>1,965,530</u>	<u>899,237</u>	<u>945,052</u>
Total liabilities	<u>\$ 3,989,628</u>	<u>\$ 3,043,499</u>	<u>\$ 1,249,530</u>
NET POSITION			
Invested in capital assets	\$ 7,888,752	\$ 6,815,767	6,880,950
Restrctied for Building Renovation	0	149,740	309,249
Unrestricted - unassigned	<u>5,099,289</u>	<u>5,851,445</u>	<u>5,855,543</u>
Total net position	<u>\$ 12,988,041</u>	<u>\$ 12,816,952</u>	<u>\$ 13,045,742</u>

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2018

Changes in Net Assets

The College's total revenues were \$8,414,646. A majority of the revenue comes from state aid (39%). Federal and state grants and contracts accounted for another 5% of total revenues. The total cost of all programs and services was \$8,251,866.

The College's expenses are predominately related to educating and caring for students (66%). Administrative activities accounted for just 12% of total costs. The remaining expenses were for operation of plant (maintenance and operations), cost of sales and depreciation.

There are currently no other known facts, decisions or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets).

Table 2 - Changes in Net Assets

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Student tuition and fees	\$ 2,409,684	\$ 2,170,659	\$ 2,250,212
Charges for services	2,269,898	2,041,075	1,990,448
Operating grants & contributions	8,665	5,744	311
General revenues			
State appropriations	3,283,004	3,048,460	3,198,503
Federal grants	163,583	148,931	183,116
State and local grants	237,894	144,422	508,666
Investment income	48,508	21,364	16,714
Gain (loss) on asset dispositions	1,718	8,560	5,979
Total revenues	<u>8,422,954</u>	<u>7,589,215</u>	<u>8,153,949</u>
Program Expenses			
Administrative	961,664	1,045,589	922,444
Instruction	2,797,683	2,408,970	2,474,811
Academic support	342	7,121	36,370
Operation of plant	896,390	943,919	911,248
Cost of sales & services	416,453	405,609	368,486
Student activities	2,666,877	2,591,858	2,399,838
Interest expense	59,763	30,559	35,950
Depreciation	452,694	384,381	406,048
Transfers out	0	0	10,500
Total Expenses	<u>8,251,866</u>	<u>7,818,006</u>	<u>7,565,695</u>
Increase (decrease) in net position	\$ <u>171,088</u>	\$ <u>(228,791)</u>	\$ <u>588,254</u>

FINANCIAL HIGHLIGHTS

As the College completed the year, its operating fund reported a net position balance of \$7,183,289, which was a decrease of \$248,035 from last year's ending fund balance of \$7,431,324. The majority of this decrease is due to increase in instruction. Tuition and state appropriations are the primary source of funding for the College's academic programs. During the FY'18 there was an increase of \$234,544 in state appropriations through Excel in CTE and the college had an increase in tuition of \$239,025 over 2017.

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2018

Operating Fund Budgetary Highlights

Over the course of the year, the College revises its annual budget to reflect unexpected changes in revenues and expenditures thus at year end budget equals revenues and expenses.

CAPITAL ASSETS

At June 30, 2018, the College had an investment net of depreciation of \$7,888,752 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table below for more details. More detailed information about the College's capital assets is presented in the notes to the financial statements.

Table 3 - Capital assets

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land improvements	\$ 311,747	\$ 311,747	\$ 311,747
Building improvements	12,124,633	10,788,096	10,626,452
Furniture and equipment	3,189,026	3,128,975	2,896,163
Construction in progress	<u>0</u>	<u>132,277</u>	<u>67,685</u>
	<u>15,625,406</u>	<u>14,361,095</u>	<u>13,902,047</u>
 Total accumulated depreciation	 <u>7,736,654</u>	 <u>6,779,461</u>	 <u>7,063,031</u>
	 <u><u>\$ 7,888,752</u></u>	 <u><u>\$ 7,581,634</u></u>	 <u><u>\$ 6,839,016</u></u>

The College's board has a Capital Assets Policy which defines a capital asset as one with an initial unit cost of 2,500 or more.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the College was aware of several circumstances that could affect its future financial health:

- ☐ Enrollment growth continues to be identified as the number one goal/priority for the College. The College must focus on increasing the percentage of its full-time students for future funding stability as the State's tiered cost model continues to be underfunded at the State level by approximately \$25 million.
- ☐ The college maintained its flat rate tuition for FY'19. The College monitors its expenditures closely and constantly works to find efficiencies to keep tuition at a reasonable rate for students.
- ☐ To support student success the College filled vacant and part-time positions including a Director of Outreach, Dean of Academic Advancement and Dean of Student Advancement for FY'19. These positions are vital to providing structure and support for the College to accomplish its strategic goals.
- ☐ After program reviews, strategic planning, recruiting and marketing efforts the College was unable to increase the enrollment in its Network Technology program to a sustainable level. The decision was made to indefinitely suspend the program.
- ☐ The College continues to invest and develop its academic programs. A farm lease was secured to support the curriculum and initiatives of the Precision Ag Technology program. Electrical Technology is a program with proven success of its graduates. This program had outgrown its outdated facility. With the suspension of the Network Technology the College was able to accommodate a new and improved learning space for the incoming electrical students.

NORTHWEST KANSAS TECHNICAL COLLEGE
Management's Discussion and Analysis (MD&A)

June 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued

- ☐ Student accounts receivable is a significantly increasing concern. The College has hired a full-time Student Accounts Specialist for FY'19 to focus on strategies to reduce this balance.
- ☐ The College grant writing position has proven essential for the college to improve its programs through securement of federal, state and local grants.
- ☐ Fund raising will need to be an increasing focus in the coming years as it provides a revenue stream to support scholarships, facilities and program support.

The college remains financially healthy by careful utilization of funds and close management of all financial accounts. The College has minimal indebtedness.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, Kansas Board of Regents, taxpayers, parents, participants, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. For further information please contact Ben Schears, President P.O. Box 668, Goodland, Kansas. For the Endowment Association also contact Ben Schears, President P.O. Box 668, Goodland, Kansas.

FINANCIAL STATEMENTS

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statements of Net Position

June 30, 2018

	Educational Services	Component Unit Endowment Association
ASSETS		
CURRENT ASSETS		
Cash and demand deposits	\$ 3,111,493	\$ 269,304
Time deposits	4,730,641	0
Cash in agency funds	8,513	0
Cash & cash equivalents	<u>7,850,647</u>	<u>269,304</u>
Accounts receivable, net	925,512	0
Accounts receivable other	33,158	0
Accrued income	0	6,819
Annuity Receivable	0	7,231
Inventories	279,600	0
Total other current assets	<u>1,238,270</u>	<u>14,050</u>
Total current assets	<u>9,088,917</u>	<u>283,354</u>
NONCURRENT ASSETS		
Investments	0	649,136
Annuity Receivable	0	21,525
Capital assets, net	<u>7,888,752</u>	<u>0</u>
Total noncurrent assets	<u>7,888,752</u>	<u>670,661</u>
Total assets	<u>\$ 16,977,669</u>	<u>\$ 954,015</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 115,252	\$ 0
Due to agencies and others	13,115	0
Due to club accounts	22,851	0
Note Payable	171,150	0
Insurance Proceeds	1,610,968	0
Deferred revenue	90,762	0
Total current liabilities	<u>2,024,098</u>	<u>0</u>
LONG-TERM LIABILITIES		
Note Payable	<u>1,965,530</u>	<u>0</u>
Total liabilities	<u>\$ 3,989,628</u>	<u>\$ 0</u>
NET POSITION		
Invested in capital assets	\$ 7,888,752	\$ 0
Restricted for		
Nonexpendable - Scholarships and fellowships	0	483,188
Expendable - Scholarships and fellowships	0	270,953
Unrestricted - unassigned	5,099,289	199,874
Total net position	<u>\$ 12,988,041</u>	<u>\$ 954,015</u>

The accompanying notes are an integral part of these statements.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Educational Services	Component unit Endowment Association
REVENUES		
Operating Revenues		
Student tuition and fees	\$ 2,409,684	\$ 0
Sales and services of educational departments	863,860	0
Residential life	923,151	0
Student Center	482,887	0
Gifts and Contributions	8,665	367,633
Fund raising events	0	133,798
	<hr/>	<hr/>
Total operating revenues	4,688,247	501,431
EXPENSES		
Operating Expenses		
Administration	961,664	73,707
Instruction	2,797,683	0
Academic support	342	0
Operation of plant	896,390	0
Financial aid	0	523,761
Cost of sales and services of educational departments	416,453	0
Student activities	2,666,877	0
Interest Expense	59,763	0
Depreciation	452,694	0
	<hr/>	<hr/>
Total operating expenses	8,251,866	597,468
	<hr/>	<hr/>
Operating income (loss)	(3,563,619)	(96,037)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	3,283,004	0
Federal grants	163,583	0
State and local grants and contributions	237,894	0
Investment income	48,508	21,422
Unrealized appreciation (depreciation) on investments	0	(8,692)
Gain (loss) on asset dispositions	1,718	0
	<hr/>	<hr/>
Net nonoperating revenues	3,734,707	12,730
	<hr/>	<hr/>
Increase (Decrease) in net assets	171,088	(83,307)
NET POSITION		
Net position - beginning of year	12,816,953	1,037,322
	<hr/>	<hr/>
Net position - end of year	\$ 12,988,041	\$ 954,015
	<hr/>	<hr/>

The accompanying notes are an integral part of these statements

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statements of Cash Flows

For the Year Ended June 30, 2018

	<u>Educational Services</u>	<u>Component unit Endowment Association</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,409,684	\$ 0
Sales and services of educational departments	414,824	0
Residential life	896,751	0
Auxiliary enterprises charges	482,887	0
Other receipts	62,728	0
Gifts and contributions	0	367,633
Fundraising Events	0	133,798
Payments to employees	(4,268,933)	0
Payments to vendors	(3,600,883)	(73,707)
Payments for financial aid	0	(523,761)
Interest Expense	(59,763)	0
Net cash provided (used) by operating activities	<u>(3,662,705)</u>	<u>(96,037)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	3,283,004	0
Federal and State Grants	401,477	0
Net cash provided by noncapital financing activities	<u>3,684,481</u>	<u>0</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(1,536,108)	0
Proceeds from Capital Asset Dispositions	3,200	0
Disposition of Capital Assets	141,226	0
Loan Payments	(992,420)	0
Loan Proceeds	2,036,898	0
Net cash used by capital financing activities	<u>(347,204)</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	48,508	19,714
Net cash provided by investing activities	<u>48,508</u>	<u>19,714</u>
Net increase (decrease) in cash	(276,920)	(76,323)
Cash - beginning of the year	8,127,567	345,627
Cash - end of year	\$ <u><u>7,850,647</u></u>	\$ <u><u>269,304</u></u>
REFLECTED ON STATEMENT OF NET POSITION:		
Cash and demand deposits	\$ 3,111,493	\$ 269,304
Time deposits	4,730,641	0
Cash in agency funds	8,513	0
	\$ <u><u>7,850,647</u></u>	\$ <u><u>269,304</u></u>

The accompanying notes are an integral part of these statements.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Statements of Cash Flows

For the Year Ended June 30, 2018

	<u>Educational Services</u>	<u>Endowment Association</u>
Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (3,563,619)	\$ (96,037)
Adjustments to reconcile net income (loss) to net cash:		
Depreciation expense	452,694	0
Change in assets and liabilities:		
(Increase)/Decrease in Receivables, net	(449,036)	0
(Increase)/Decrease in Inventories	(4,393)	0
Increase/(Decrease) in Deposits	(26,400)	0
Increase/(Decrease) in Accounts payable	40,246	0
Increase/(Decrease) in Due to agencies and clubs	4,327	0
Increase/(Decrease) in Insurance Proceeds	(170,587)	0
Increase/(Decrease) in Deferred revenue	<u>54,063</u>	<u>0</u>
	\$ <u><u>(3,662,705)</u></u>	\$ <u><u>(96,037)</u></u>

The accompanying notes are an integral part of these statements.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest Kansas Technical College (College), Goodland, Kansas, a member institution of the Kansas Board of Regents system, provides a range of educational programs to meet the needs of the adult population of Northwest Kansas. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula consistent with the needs of employers in the College's service area. The College also provides various developmental education programs, support services and offering to assist students in meeting their personal and professional educational objectives.

The College was established in 1964 under the Kansas Statutes Annotated 72-4401 *et seq.* A nine member Area Board of Control, which is elected from the twenty-five member advisory board, is the College's ruling body, which establishes the policies and procedures by which the College is governed. Advisory board members are representatives from each unified school district within the geographical area served by the College.

A. Reporting Entity

The area board of control is the basic level of government, which has oversight responsibility and control over all activities related to providing educational services to students. The board receives funding from federal and state government source entities and must comply with the concomitant requirements of these funding source entities. However, the board is not included in any other governmental "reporting entity", as defined by the Governmental Accounting Standards Board pronouncement, since board members are appointed by each respective public school board and have decision making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

The college has implemented Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. This pronouncement provides guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as any component unit that is financial accountable to Northwest Kansas Technical College.

There are two methods of presentation of component units:

1. Blended component units, although legally separate entity form the College, they are, in substance part of the College's operations and so data from theses component units are combined with data of the College.
2. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the College.

The College has one component unit: Northwest Kansas Technical College Endowment Association. The Association is a legally separate, tax-exempt component unit of the College. The Association acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 15-member board of the Association is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Association, the majority of resources, or income thereon, which the association holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Association can only be used by, or for the benefit of, the College, the Association is considered a component unit of the College. The Association is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Association is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Association's operation and reporting model are FASB Statement 116, Accounting for Contributions Received and Contributions Made, and FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

As such, certain revenue recognition criteria and presentation features are difference from GASB revenue recognition criteria and presentation features. No modifications have been made to the Association's financial information in the College's financial reporting entity for these differences; however significant note disclosures to the Association's financial statements have been incorporated into the College's notes to the financial statements. Financial statements for the Association can be obtained by calling the Association at 785-890-3641.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial statements – and Management's Discussion and Analysis, for State and Local Governments*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999 and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The financial statement presentation required by GASB Statements No. 34, 35 and 37 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Accordingly for financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Consequently, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as needed.

Fund types and major funds consist of the following:

Governmental funds

The College has no governmental funds.

Proprietary funds

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to students. These activities are financed primarily by tuition and/or state and federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the College's activities as an enterprise fund

Non-exchange transactions, in which the College receives value without directly giving equal value in return, includes; federal, state, and local grants; state appropriations, and other contributions. On an accrual basis, revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The College's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to the current year presentation. The following is a summary of the more significant policies.

C. Cash and Cash Equivalents

Cash includes deposits held at local financial institutions plus small amounts maintained for change funds. Cash equivalents include certificates of deposit with maturities of twenty four months or less.

D. Accounts Receivable

Accounts receivable, primarily student accounts for books, fees and tuition, are considered to be fully collectible. Any account deemed to be uncollectible is charged to expense when such determination is made. Delinquent accounts are sent to collections and to State of Kansas in an attempt to collect overdue balances.

Student accounts receivable are recorded in the student revolving fund but the underlying revenue may be attributable to the operating, student center or housing funds. Inter fund receivable and payable balances result from the time lag between the dates the transactions are recorded in the accounting system and payments between funds are made.

E. Inventories and Prepaid Items

Inventories consist primarily of items held for resale by the bookstore. Value of the inventory is determined by the cost method for the bookstore. The bookstore costs are recorded as expenses as the inventory is consumed. Certain payments to vendors reflect costs applicable to future periods. Such payments, in the accompanying financial statements, are recorded as prepaid items and reflected as other assets.

F. Deferred Revenues and Deposits

Deferred revenues include: (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year; and (2) amounts received from contract sponsors that have not been earned.

Deposits represent miscellaneous security deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned or when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

G. Net Position

GASB Statement No. 34 reports equity as "Net Position" rather than "fund balance". Net Positions are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

Net investment in capital assets represents the College's total investment in capital assets, net of accumulated depreciation.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Position (continued)

Restricted net position – expendable – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first; then unrestricted resources when they are needed. Nonexpendable restricted net position consists of endowed scholarships and fellowships for which the corpus cannot be expended.

Restricted net position – For Building Renovation – the College has received a contribution which will be used in the future for building renovation.

Unrestricted net position – This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

H. Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as parking lots and sidewalks. The College defines capital assets as assets with an initial unit cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives:

Building and Improvements	30-50 years
Land Improvements	15-25 years
Furniture and Equipment	5-20 years
Vehicles	5 years
Computer technology	3 years

I. Classification of Revenues

The College has classified its revenues as either Operating or Non-Operating. Operating revenues include activities that have the characteristics of exchange transactions, such as (a) student tuition and fees, and (b) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Non-operating revenue includes activities that have the characteristics of non-exchange transactions such as (a) state appropriations (b) most federal, state, and local grants and contracts and federal appropriations, and (c) gifts and contributions.

J. Federal Financial Assistance Programs

The College participates in federally funded Pell Grant, SEOG Grant, Federal Work-Study, and Federal Family Education Loans programs.

K. Financial Aid

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Association of College and University Business Offices (NACUBO). Certain aid, such as loans and funds provided to students as awarded by third parties, is accounted for as a third party payment (credited to the student's account as if the student made the payment).

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from those estimates.

M. Compensated Absences

It is the College's policy to permit employees to accumulate earned but unused vacation and sick pay. Classified employees forfeit any unused vacation at year-end or when employees separate from service. Unused sick pay may be accumulated to a maximum of 55 days. Unused sick pay is forfeited when employees separate from service. Certified employees forfeit any unused vacation pay at year-end or when employees separate from service but are allowed to accumulate a maximum of fifty-five days sick leave. There is no liability for unpaid accumulated sick leave since the College does not have a policy to pay any amounts when employees separate from services. The estimated amount of accumulated but unused sick pay for classified and certified employees totaled \$259,574 at June 30, 2018.

N. Budget

In accordance with Kansas statutes, the College has prepared an annual operating budget for submission to the Kansas Board of Regents. The budget establishes the amount of post secondary aid to be received. The budget sets the level for expenditures at the fund level. As the amount of post secondary aid is established by formula, the budget is advisory only and is not legally binding. The operating budget is prepared on the cash basis of accounting. The Board of Regents did not require a budget to be submitted this fiscal year.

O. Component Unit

The Association maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net position and changes therein are classified as follows:

Permanently Restricted Net Position – Net position subject to donor-imposed stipulations that the Association permanently maintains the assets. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Temporary Restricted Net Position – Net position subject to donor-imposed stipulations that will be met by actions of the Association and/or passage of time.

Unrestricted Undesignated Net Position – Net position not subject to donor-imposed restrictions.

Unrestricted Designated Net Position – Net position not subject to donor-imposed restrictions but subject to Association Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in kind gifts from outside sources are not recorded in the Association's financial records, but are accounted for and acknowledged separately.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Component Unit

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

P. Non-cash Transactions

During the year ended June 30, 2018 the College did not receive any donations of land, buildings or equipment.

2. DEPOSITS AND INVESTMENTS

As of June 30, 2018, the College had investments except in certificates of deposit.

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statutes requires banks eligible to hold the College's funds have a main or branch in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest risk.

K.S.A. 12-1675 limits the College's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions: U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the State Municipal Investment Pool. The College has no investment policy that would further limit its investment choices.

Concentration of credit risk; State statutes place no limit on the amount the College may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The College's allocation of investments as of June 30, 2018 was 100% in certificates of deposit.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institution to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College's did not have any designated peak periods for the current year. All deposits were legally secured at June 30, 2018.

At June 30, 2018 the College's carrying amount of deposits \$7,850,647 (which includes amounts maintained for cashier's change funds and petty cash totaling \$200) and the bank balance was \$8,293,318. The difference between carrying amounts and bank balances represents primarily checks that have not cleared the bank and deposits in transit. The balance was held by four banks reducing concentration of credit risk. Of the bank balance, \$1,100,000 was covered by federal deposit insurance and \$7,193,318 was collateralized with securities held by the pledging financial institution's agent in the College's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured.

At June 30, 2018 the Endowment Association's carrying amount of deposits \$269,304 and the bank balance was \$268,897. There difference between the carrying amounts and the bank balances represents primarily checks that have not cleared the bank and deposits in transit. . The balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$268,897 was covered by federal deposit insurance.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

2. DEPOSITS AND INVESTMENTS – continued

Investments of the Endowment Association are as follows: The Endowment Association determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance-sheet date. Debt securities are classified as held-to-maturity when the Association has the positive intent and ability to hold the securities to maturity. Debt securities for which the Association does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet, based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized as earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading, are classified as available-for-sale, and are carried at fair market value, with the unrealized gains and losses, included in the determination of changes in net assets.

Investments are carried at fair value on the statements of net position. Fair value is determined using quoted prices in active markets for identical assets (level 1). Available-for-sale securities at June 30, 2018 were made up of the following types of securities:

2018				
Level 1	Cost	Fair Value	Gross Unrealized Gain/(Loss)	Rating
Bonds				
Municipal Bonds	\$ 622,737	\$ 615,216	\$ (7,521)	A to AA
Preferred Stocks	35,091	33,920	(1,171)	
	<u>\$ 657,828</u>	<u>\$ 649,136</u>	<u>\$ (8,692)</u>	

2017				
Level 1	Cost	Fair Value	Gross Unrealized Gain/(Loss)	Rating
Bonds				
Municipal Bonds	\$ 639,149	\$ 615,687	\$ (23,462)	A to AA
Preferred Stocks	35,091	34,093	(998)	
	<u>\$ 674,240</u>	<u>\$ 649,780</u>	<u>\$ (24,460)</u>	

	2018	2017
Sales proceeds	\$ 0	\$ 0
Gross realized losses	0	0
Gross realized gains	0	0

	Estimated Fair Value	Estimated Fair Value
Due in 1-5 years	\$ 351,963	\$ 352,434
Due in 6-10 years	194,921	194,921
Due after 10 years	68,332	68,332
Total investments - debt securities	<u>\$ 615,216</u>	<u>\$ 615,687</u>

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

3. PENSION PLANS

Kansas Public Employees Retirement System

General information about the Pension Plan

The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* Kansas law establishes and amends benefit provisions. KPERS' issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Contributions - K.S.A. 74-4919 and K.S.A. 74-49210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rate for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium for the period of July 1, 2017 through September 30, 2017 for the Death and Disability Program) was 10.81% for the fiscal year ended June 30, 2017. The actuarially determined employer contribution rate was 12.01% for the fiscal year ended June 30, 2018. Per 2016 House /substitute for Senate Bill 161, Section 98 (a) (1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount for school contributions was \$92,917,091 for the fiscal year ended June 30, 2016 and the anticipated repayments were nullified per HB 2052 during fiscal year 2017.

The State of Kansas contributions to KPERS for school municipalities for the year ending June 30, 2017, received as of June 30th was \$304,596,361. Per 2017 Senate Substitute for House Bill 2052, Section 37 (a), state general fund employer contributions to KPERS were decreased by \$64,131,234 for the fiscal year ended June 30, 2017. Section 43 (17) of the bill also stipulated that repayments for the reduced contributions are to be amortized over twenty years at a level amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million dollars per year.

The State of Kansas is required to contribute the statutory required employer's share and makes these directly to KPERS.

Net Pension Liability

At June 30, 2018 the College's proportionate share of the collective net pension liability reported by KPERS was \$152,588 which is payable by the State of Kansas. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The College's proportion of the net pension liability was based on the ratio of the College's contributions to KPERS, relative to the total employer and non-employer contributions of the State/Other subgroup within KPERS for the fiscal year ended June 30, 2017.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

3. PENSION PLANS - continued

Early Retirement Supplement Plan

Plan Description – The College maintains a single-employer, defined benefit early retirement supplement plan (ERSP) for qualifying faculty. The Board has authority to set benefit provisions, funding policy for the plan and to terminate the plan at any time. Should the plan be terminated, a grandfather provision exists for employees currently receiving benefits.

Certified personnel retiring or leaving in good standing from the College at age sixty, who qualify for KPERS without a reduction in benefits, will be awarded a one-time retirement supplement ranging from \$500 to \$2,000 based on years of service. In addition full-time certified personnel retiring after twenty years of service, who qualify for KPERS without a reduction in benefits, will be awarded benefits equal to ten percent of the employee's last annual contracted salary per full year until the employee reaches age sixty-five or is eligible for Medicare insurance.

Funding Policy – Benefits from this program are fully paid by the College and are funded on a pay as you go basis. Under this method, payments for benefits are recognized as expense when paid. The number of retirees currently receiving benefits is six and the number of active employees who are eligible to receive these benefits was two at June 30, 2018. The expense for supplemental retirement benefits for the year ended June 30, 2018 was \$0 and no future liability exists for this plan as of June 30, 2018.

4. RELATED PARTY TRANSACTIONS

The College made no transfers to the Association for the year ended June 30, 2018.

College personnel perform the Association's administrative activities on College premises. The value of these activities and the use of the College premises to perform these activities have not been determined.

The Association had the following transactions with the College during the year ended June 30, 2018: paid to the College \$438 for board meals, \$120 for retiree breakfast, \$46 for Community Dress Down Day, \$29,462 for fund raising expenses, \$5,438 for Athletics, \$2,285 for audit, \$767 for Student Emergency Fund, \$914 for food pantry, \$1,000 for Electric Department Club, \$25,000 for Tractor for Precision Ag, \$1,929 for Case Conference, and \$24 for newsletter template for a total of \$67,423.

During the year the College paid \$15,000 to the husband of an administrative staff for concrete work and the College paid \$31,152 to a board member for work on heating and air conditioning.

5. POST EMPLOYMENT BENEFITS

As provided by Kansas statutes the College allows retired employees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retiree because each participant is charged a level of premium regardless of age. However the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) the College makes health care benefits available to eligible former employees and their dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured. There is no cost to the College under this program.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

6. CONTINGENCIES AND COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position at June 30, 2018.

Federal Financial Aid – Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, primarily the federal government. Any disallowed costs, including amounts already collected, may constitute a liability of the College. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although College management expects such amounts, if any, to be immaterial.

State Funding – Approximately 40% of the College's resources come from the State of Kansas. Due to continued funding uncertainties at the State level, future funding for the College may be reduced. The ultimate effect of this possible reduction in funding on the College's future operations is not yet determinable.

Compliance with Kansas Statutes - References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and reports and interpretation by the County Attorney and legal representation of the College. Management is not aware of any statute violations during the year.

7. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were not significant reductions in insurance coverage from coverage in prior years.

8. INTERFUND TRANSFERS

Interfund transfers are used to move revenues from the fund that collects receipts to the fund that spends them. In the year ended June 30, 2018, the College made the following transfers between funds.

		Transfer to			
		Operating	Facilities	Endowment	Total
Transfer From:					
Student Revolving	\$	36,150	\$ 0	\$ 0	\$ 36,150
	\$	<u>36,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,150</u>

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements June 30, 2018

9. CAPITAL ASSETS

College	Balance			Balance
	June 30, 2017	Additions	Deletions	June 30, 2018
Capital Assets				
Land	\$ 209,096	\$ 0	\$ 0	\$ 209,096
Building	6,211,250	1,273,077	0	7,484,327
Building remodel	1,506,568	0	0	1,506,568
Campus	628,520	0	0	628,520
Equipment	2,337,570	192,521	106,474	2,423,617
Furniture	88,660	0	0	88,660
Parking	50,663	0	0	50,663
SC Building	113,837	2,857	0	116,694
SC Building Remodel	741,809	24,283	0	766,092
SC Equipment	62,419	1	0	62,420
SC Furniture	2,239	0	0	2,239
Vehicles	559,794	7,049	33,046	533,797
VV Buildings	1,002,715	36,320	0	1,039,035
VV Equipment	30,890	0	0	30,890
VV Furniture	47,403	0	0	47,403
VV Parking	51,988	0	0	51,988
VV2 Building	583,397	0	0	583,397
Total costs	<u>14,228,818</u>	<u>1,536,108</u>	<u>139,520</u>	<u>15,625,406</u>
Less Accumulated Depreciation				
Land	0	0	0	0
Building	2,345,140	131,588	0	2,476,728
Building remodel	760,297	43,753	0	804,050
Campus	565,967	1	0	565,968
Equipment	1,904,009	120,166	98,478	1,925,697
Furniture	69,066	5,616	0	74,682
Parking	40,412	1,736	0	42,148
SC Building	92,208	2,133	0	94,341
SC Building Remodel	432,260	29,479	0	461,739
SC Equipment	56,907	705	0	57,612
SC Furniture	2,015	0	0	2,015
Vehicles	300,467	72,262	30,614	342,115
VV Buildings	447,840	30,920	0	478,760
VV Equipment	30,180	231	0	30,411
VV Furniture	47,404	(1)	0	47,403
VV Parking	50,030	979	0	51,009
VV2 Building	268,849	13,126	0	281,976
Total accumulated depreciation	<u>7,413,051</u>	<u>452,694</u>	<u>129,092</u>	<u>7,736,654</u>
Net Capital Assets	<u>\$ 6,815,767</u>	<u>\$ 1,083,414</u>	<u>\$ 10,428</u>	<u>\$ 7,888,752</u>

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

10. ENDOWMENT ASSOCIATION CONTRIBUTION

In 2005, the College approved contributing up to \$100,000 per year from the housing fund to the Endowment Association for student scholarships. Seventy percent of the contribution will be added to permanently restricted net assets until Endowment Association net assets total \$1,000,000. The remaining contribution may be used for current scholarships or added to unrestricted net assets.

11. LOANS PAYABLE

The College has loans with Bankwest with a 3.14188% interest rate, Kansas State Bank with 3.510% interest rate and CNH Capital with a 0% interest rate. The Bankwest loan is collateralized by building additions. The Kansas State Bank loan is collateralized by a bus. The CNH Capital loan is collateralized by a skid steer. A summary of loan payable activity follows:

	Beginning Balance	Additions	Payments	Ending Balance
Bankwest Loan	\$ 945,052	\$ 2,000,000	\$ 945,052	\$ 2,000,000
Kansas State Bank	147,150	0	47,368	99,782
CNH Capital	0	36,898	0	36,898
	<u>\$ 1,092,202</u>	<u>\$ 2,036,898</u>	<u>\$ 992,420</u>	<u>\$ 2,136,680</u>

Principal				
June 30,	Bankwest	Kansas State	CNH Capital	Total
2019	\$ 115,970	\$ 49,030	\$ 6,150	\$ 171,150
2020	119,612	50,752	6,150	176,514
2021	123,216	0	6,150	129,366
2022	127,237	0	6,150	133,387
2023	131,232	0	6,149	137,381
2024	135,352	0	6,149	141,501
2025 to maturity	1,247,381	0	0	1,247,381
	<u>\$ 2,000,000</u>	<u>\$ 99,782</u>	<u>\$ 36,898</u>	<u>\$ 2,136,680</u>

Interest				
2019	\$ 62,800	\$ 3,502	\$ 0	\$ 66,302
2020	59,158	1,782	0	60,940
2021	55,555	0	0	55,555
2022	51,534	0	0	51,534
2023	47,538	0	0	47,538
2024	43,418	0	0	43,418
2025 to maturity	182,781	0	0	182,781
	<u>\$ 502,784</u>	<u>\$ 5,284</u>	<u>\$ 0</u>	<u>\$ 508,068</u>

12. OPERATING LEASE

Apple Lease Agreement	
Lease payment for 2018	\$ 94,583
2019	40,677
2020	40,676

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2018

13. SUBSEQUENT EVENTS

The entity evaluated subsequent events through December 11, 2018 the date the financial statement were available to be issued. The campus suffered hail damage in September 2018. Damage was estimated to be over \$2.3 million. The College, at the date of this report still has insurance proceeds to use to make repairs.

REQUIRED SUPPLEMENTAL INFORMATION

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Schedule for Major Funds

Schedule of Net Position

June 30, 2018

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
ASSETS						
CURRENT ASSETS						
Cash and demand deposits	\$ 2,498,293	\$ 540,416	\$ 9,118	\$ 7,212	\$ 56,454	\$ 3,111,493
Time deposits	1,801,469	826,836	442,071	602,884	1,057,381	4,730,641
Cash in agency funds	8,513	0	0	0	0	8,513
Accounts receivable, net	19,959	905,553	0	0	0	925,512
Accounts receivable other	4,898	28,260	0	0	0	33,158
Inventories	<u>0</u>	<u>0</u>	<u>279,600</u>	<u>0</u>	<u>0</u>	<u>279,600</u>
Total current assets	<u>4,333,132</u>	<u>2,301,065</u>	<u>730,789</u>	<u>610,096</u>	<u>1,113,835</u>	<u>9,088,917</u>
NONCURRENT ASSETS						
Capital assets, net	<u>6,693,860</u>	<u>0</u>	<u>331,737</u>	<u>0</u>	<u>863,155</u>	<u>7,888,752</u>
Total assets	<u>\$ 11,026,992</u>	<u>\$ 2,301,065</u>	<u>\$ 1,062,526</u>	<u>\$ 610,096</u>	<u>\$ 1,976,990</u>	<u>\$ 16,977,669</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 82,940	\$ 11,677	\$ 19,923	\$ 0	\$ 712	\$ 115,252
Due to agency funds	13,115	0	0	0	0	13,115
Due to club accounts	0	22,851	0	0	0	22,851
Notes Payable	171,150	0	0	0	0	171,150
Insurance Proceeds	1,610,968	0	0	0	0	1,610,968
Deferred revenue	<u>0</u>	<u>58,162</u>	<u>0</u>	<u>0</u>	<u>32,600</u>	<u>90,762</u>
Total current liabilities	1,878,173	92,690	19,923	0	33,312	2,024,098
LONG-TERM LIABILITIES						
Notes Payable	<u>1,965,530</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,965,530</u>
Total liabilities	<u>\$ 3,843,703</u>	<u>\$ 92,690</u>	<u>\$ 19,923</u>	<u>\$ 0</u>	<u>\$ 33,312</u>	<u>\$ 3,989,628</u>
NET POSITION						
Invested in capital assets	\$ 6,693,860	\$ 0	\$ 331,737	\$ 0	\$ 863,155	\$ 7,888,752
Unrestricted	<u>489,429</u>	<u>2,208,375</u>	<u>710,866</u>	<u>610,096</u>	<u>1,080,523</u>	<u>5,099,289</u>
Total net position	<u>\$ 7,183,289</u>	<u>\$ 2,208,375</u>	<u>\$ 1,042,603</u>	<u>\$ 610,096</u>	<u>\$ 1,943,678</u>	<u>\$ 12,988,041</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE
Goodland, Kansas

Combining Schedule for Major Funds
Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
REVENUES						
Operating Revenues						
Student tuition and fees	\$ 2,192,450	\$ 211,824	\$ 5,410	\$ 0	\$ 0	\$ 2,409,684
Sales and services						
of educational departments	7,032	856,828	0	0	0	863,860
Residential life	0	0	557,429	0	365,722	923,151
Bookstore	0	0	482,887	0	0	482,887
Other operating revenues	0	8,665	0	0	0	8,665
	<u>2,199,482</u>	<u>1,077,317</u>	<u>1,045,726</u>	<u>0</u>	<u>365,722</u>	<u>4,688,247</u>
Total operating revenues						
EXPENSES						
Operating Expenses						
Administration	961,664	0	0	0	0	961,664
Instruction	2,797,683	0	0	0	0	2,797,683
Academic support	342	0	0	0	0	342
Operation of plant	623,406	72,711	32,883	0	167,390	896,390
Cost of sales and services						
of educational departments	0	416,453	0	0	0	416,453
Student activities	1,339,183	403,996	923,698	0	0	2,666,877
Interest Expense	59,763	0	0	0	0	59,763
Depreciation	375,121	0	32,317	0	45,256	452,694
	<u>6,157,162</u>	<u>893,160</u>	<u>988,898</u>	<u>0</u>	<u>212,646</u>	<u>8,251,866</u>
Total operating expenses						
Operating income (loss)	<u>(3,957,680)</u>	<u>184,157</u>	<u>56,828</u>	<u>0</u>	<u>153,076</u>	<u>(3,563,619)</u>
NONOPERATING REVENUES (EXPENSES)						
State appropriations	3,283,004	0	0	0	0	3,283,004
Federal grants	154,978	8,605	0	0	0	163,583
State and local grants	212,894	25,000	0	0	0	237,894
Transfer of Funds	36,150	(36,150)	0	0	0	0
Transfer to Endowment	0	0	0	0	0	0
Investment income	29,209	11,221	592	2,150	5,336	48,508
(Loss) on asset dispositions	(6,590)	8,308	0	0	0	1,718
	<u>3,709,645</u>	<u>16,984</u>	<u>592</u>	<u>2,150</u>	<u>5,336</u>	<u>3,734,707</u>
Net nonoperating revenues						
Increase (decrease) in net assets	(248,035)	201,141	57,420	2,150	158,412	171,088
NET POSITION						
Net position - beginning of year	<u>7,431,324</u>	<u>2,007,234</u>	<u>985,183</u>	<u>607,946</u>	<u>1,785,266</u>	<u>12,816,953</u>
Net position - end of year	<u>\$ 7,183,289</u>	<u>\$ 2,208,375</u>	<u>\$ 1,042,603</u>	<u>\$ 610,096</u>	<u>\$ 1,943,678</u>	<u>\$ 12,988,041</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Combining Schedule for Major Funds

Schedule of Cash Flows

For the Year Ended June 30, 2018

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Tuition and fees	\$ 2,192,450	\$ 211,824	\$ 5,410	\$ 0	\$ 0	\$ 2,409,684
Sales and services of educational departments	(17,725)	432,549	0	0	0	414,824
Residential life	0	0	557,429	0	339,322	896,751
Auxiliary enterprises charges	0	0	482,887	0	0	482,887
Other receipts	0	30,128	0	0	32,600	62,728
Payments to employees	(4,142,666)	(64,946)	(32,882)	0	(28,439)	(4,268,933)
Payments to vendors	(1,739,525)	(812,108)	(909,087)	0	(140,163)	(3,600,883)
Interest Expense	(59,763)	0	0	0	0	(59,763)
Net cash provided (used) by operating activities	<u>(3,767,229)</u>	<u>(202,553)</u>	<u>103,757</u>	<u>0</u>	<u>203,320</u>	<u>(3,662,705)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
State appropriations	3,283,004	0	0	0	0	3,283,004
Federal and State grants	367,872	33,605	0	0	0	401,477
Interfund Transfers	<u>36,150</u>	<u>(36,150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net cash provided (used) by noncapital financing activities	<u>3,687,026</u>	<u>(2,545)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,684,481</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Purchase of capital assets	(1,472,647)	0	(27,141)	0	(36,320)	(1,536,108)
Proceeds from Capital Assets Dispositions	3,200	0	0	0	0	3,200
Disposition of Capital Assets	141,226	0	0	0	0	141,226
Loan Payments	(992,420)	0	0	0	0	(992,420)
Loan Proceeds	<u>2,036,898</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,036,898</u>
Net cash (used) by capital financing activities	<u>(283,743)</u>	<u>0</u>	<u>(27,141)</u>	<u>0</u>	<u>(36,320)</u>	<u>(347,204)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	<u>29,210</u>	<u>11,219</u>	<u>592</u>	<u>2,150</u>	<u>5,337</u>	<u>48,508</u>
Net cash provided by investing activities	<u>29,210</u>	<u>11,219</u>	<u>592</u>	<u>2,150</u>	<u>5,337</u>	<u>48,508</u>
Net increase (decrease) in cash	(334,736)	(193,879)	77,208	2,150	172,337	(276,920)
Cash - beginning of the year	<u>4,643,011</u>	<u>1,561,131</u>	<u>373,981</u>	<u>607,946</u>	<u>941,498</u>	<u>8,127,567</u>
Cash - end of year	<u>\$ 4,308,275</u>	<u>\$ 1,367,252</u>	<u>\$ 451,189</u>	<u>\$ 610,096</u>	<u>\$ 1,113,835</u>	<u>\$ 7,850,647</u>
Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ (3,957,680)	\$ 184,157	\$ 56,828	\$ 0	\$ 153,076	\$ (3,563,619)
Adjustments to reconcile net income (loss) to net cash:						
Depreciation expense	375,121	0	32,317	0	45,256	452,694
Change in assets and liabilities:						
(Increase)/Decrease in Receivables, net	(24,757)	(424,279)	0	0	0	(449,036)
(Increase)/Decrease in Inventories	0	0	(4,393)	0	0	(4,393)
Increase/(Decrease) in Deposits	0	(26,400)	0	0	0	(26,400)
Increase/(Decrease) in Accounts payable	6,347	16,106	19,005	0	(1,212)	40,246
Increase/(Decrease) in Due to agencies and clubs	4,327	0	0	0	0	4,327
Increase/(Decrease) in Insurance Proceeds	(170,587)	0	0	0	0	(170,587)
Increase/(Decrease) in Deferred revenue	0	47,863	0	0	6,200	54,063
	<u>\$ (3,767,229)</u>	<u>\$ (202,553)</u>	<u>\$ 103,757</u>	<u>\$ 0</u>	<u>\$ 203,320</u>	<u>\$ (3,662,705)</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Schedule of Management Information
Schedule of Expenses by Function and Object - Operating
For the Year Ended June 30, 2018

	General		Academic	Operations	Student	
	<u>Administration</u>	<u>Instruction</u>	<u>Support</u>	<u>of Plant</u>	<u>Activities</u>	<u>Total</u>
Salaries	\$ 291,024	\$ 2,148,799	\$ 0	\$ 163,632	\$ 838,715	\$ 3,442,170
Benefits	59,225	437,291	0	33,300	170,682	700,498
Services	10,884	80,363	0	6,120	31,367	128,734
Supplies	20,506	459	342	18,220	17,724	57,251
Utilities	0	0	0	249,313	0	249,313
Other	580,025	130,771	0	152,821	280,695	1,144,312
Interest	0	0	0	59,763	0	59,763
Depreciation	0	0	0	375,121	0	375,121
Total	\$ <u>961,664</u>	\$ <u>2,797,683</u>	\$ <u>342</u>	\$ <u>1,058,290</u>	\$ <u>1,339,183</u>	\$ <u>6,157,162</u>

See Independent Auditor's Report.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

	Federal CFDA <u>Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. Department of Education			
Direct Programs			
Student Financial Assistance Cluster (SFA)			
Pell Grant Program	84.063	\$ 890,318	\$ 890,318
College Work Study	84.033	14,178	14,178
Federal Direct Student Loans	84.268	1,499,396	1,499,396
Supplemental Educational Opportunity Grant	84.007	<u>17,500</u>	<u>17,500</u>
		<u>2,421,392</u>	<u>2,421,392</u>
Passed through Kansas Department of Education			
Career and Technical Education	84.048	<u>154,978</u>	<u>154,978</u>
		<u>154,978</u>	<u>154,978</u>
Total Federal Assistance		\$ <u><u>2,576,370</u></u>	\$ <u><u>2,576,370</u></u>

There were no amounts that were passed through to subrecipients.

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2018

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Northwest Kansas Technical College under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Northwest Kansas Technical College, it is not intended to and does not present the statements of net position, changes in net position or cash flows of Northwest Kansas Technical College.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the basis of U.S. generally accepted accounting principles. Expenditures as reported on the Schedule are recognized under the basis described above and follow the cost principles contained in the Uniform Guidance regarding *Cost Principles* wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C. INDIRECT COST RATES

Northwest Kansas Technical College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

SPECIAL REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Area Board of Control
Northwest Kansas Technical College
Goodland, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Northwest Kansas Technical College as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Northwest Kansas Technical College financial statements, and have issued our report there on dated December 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Northwest Kansas Technical College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. According, we do not express an opinion on the effectiveness of Northwest Kansas Technical College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Kansas Technical College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Agler & Gaeddert, Chartered".

Agler & Gaeddert, Chartered
Ottawa, Kansas
December 11, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Area Board of Control
Northwest Kansas Technical College
Goodland, Kansas

Report on Compliance for Each Major Federal Program

We have audited the Northwest Kansas Technical College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northwest Kansas Technical College's major federal programs for the year ended June 30, 2018. Northwest Kansas Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a tests basis, evidence about Northwest Kansas Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Northwest Kansas Technical College's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Kansas Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

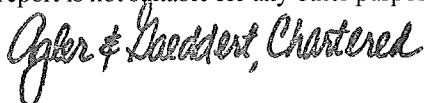
Report on Internal Control over Compliance

Management of Northwest Kansas Technical College is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Kansas Technical College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of the testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Agler & Gaeddert, Chartered
Ottawa, Kansas
December 11, 2018

NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting

Material weakness(es) identified?

No

Significant deficiencies identified not considered to be material weaknesses:

None reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

No

Significant deficiencies identified not considered to be material weaknesses:

None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with
U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements,
Cost Principles and Audit Requirements for Federal Awards

No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
<u>SFA Cluster</u>		
84.063	Federal Pell Grant Program	\$ 890,318
84.033	College Work Study	14,178
84.268	Federal Direct Student Loans	1,499,396
84.007	Supplemental Educational Opportunity Grant	17,500
		<u>\$ 2,421,392</u>
		<u>\$ 750,000</u>

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

Yes